



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**TUPELO PUBLIC SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

**TUPELO PUBLIC SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	19
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Governmental Funds Financial Statements	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	56
Budgetary Comparison Schedule – General Fund	57
Budgetary Comparison Schedule – School Food Service Fund	58
Notes to the Required Supplementary Information	59

**TUPELO PUBLIC SCHOOL DISTRICT
TABLE OF CONTENTS (CONTINUED)**

	<u>Page</u>
SUPPLEMENTARY INFORMATION	60
Schedule of Expenditures of Federal Awards	61
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	63
OTHER INFORMATION	64
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	65
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	66
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	67
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	68
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	70
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	73
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75
CORRECTIVE ACTION PLAN	81

INDEPENDENT AUDITOR'S REPORT

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Tupelo Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-18 and 56-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tupelo Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2015, on our consideration of the Tupelo Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tupelo Public School District's internal control over financial reporting and compliance.

Tupelo, MS
January 31, 2015

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The following discussion and analysis of Tupelo Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Total net position for 2014 increased \$4,371,377, including prior period adjustments of (\$231,142), which represents a 6% increase from fiscal year 2013. Total net position for 2013 increased \$4,692,879, including a prior period adjustment of (\$33,500), which represents an 8% increase from fiscal year 2012.

General revenues amounted to \$62,846,561 and \$63,606,482, or 85% and 85% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,169,212, or 15% of total revenues for 2014, and \$11,593,531, or 15% of total revenues for 2013.

The District had \$72,842,750 and \$70,473,634 in expenses for fiscal years 2014 and 2013; only \$11,169,212 for 2014 and \$11,593,531 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$62,846,561 for 2014 and \$63,606,482 for 2013 were adequate to provide for these programs.

Among major funds, the General Fund had \$58,448,972 in revenues and \$54,901,551 in expenditures for 2014, and \$58,852,891 in revenues and \$54,515,904 in expenditures in 2013. The General Fund's fund balance increased by \$1,902,194, including prior period adjustments of (\$14,490) and a decrease in inventory reserve of \$6,653, from 2013 to 2014, and increased by \$1,311,274, including a prior period adjustment of (\$33,500) and an increase in inventory reserve of \$850, from 2012 to 2013.

Among major funds, the School Food Service Fund had \$3,759,756 in revenues and \$3,720,052 in expenditures for 2014, and \$3,861,478 in revenues and \$3,623,761 in expenditures in 2013. The School Food Service Fund's fund balance decreased by \$221,167, including an increase in inventory reserve of \$31,134 from 2013 to 2014, and increased by \$155,475, including a decrease in inventory reserve of \$9,102 from 2012 to 2013.

Among major funds, the District Construction Reserve Fund had \$0 in revenues and \$1,390,112 in expenditures for 2014, and \$4,844 in revenues and \$0 in expenditures in 2013. The District Construction Reserve Fund's fund balance increased by \$1,966,086 from 2013 to 2014, and increased by \$3,763 from 2012 to 2013.

Among major funds, the 1999 Bond Issue Fund had \$3,115,389 in revenues and \$3,052,995 in expenditures for 2014, and \$3,142,176 in revenues and \$3,065,495 in expenditures in 2013. The 1999 Bond Issue Fund's fund balance increased by \$62,394 from 2013 to 2014, and increased by \$75,399 from 2012 to 2013.

Capital assets, net of accumulated depreciation, decreased by \$1,299,999 for 2014 and decreased by \$2,412,648 for 2013. The decrease for 2014 was primarily due to the increase in accumulated depreciation.

Long-term debt decreased by \$631,956 for 2014 and decreased by \$5,256,929 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$20,391 for 2014 and increased by \$29,098 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the Financial Accounting Manual for Mississippi Public School Districts. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund (if applicable) as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$72,764,500 as of June 30, 2014.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Percentage Change</u>	<u>Component Unit</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Current assets	\$ 23,619,180	18,308,909	29.00%	\$ 428,253	254,124	68.52%
Restricted assets	5,968,204	5,507,892	8.36%	-0-	-0-	N/A
Capital assets, net	64,983,208	66,176,207	-1.80%	966,833	1,073,833	-9.96%
Total assets	94,570,592	89,993,008	5.09%	1,395,086	1,327,957	5.06%
Deferred outflows of resources	276,061	359,899	-23.29%	-0-	-0-	N/A
Current liabilities	1,464,927	620,235	136.19%	58,998	82,236	-28.26%
Long-term debt outstanding	21,953,314	22,585,270	-2.80%	-0-	-0-	N/A
Total liabilities	23,418,241	23,205,505	0.92%	58,998	82,236	-28.26%
Net position:						
Net investment in capital assets	43,856,558	44,569,616	-1.60%	966,833	1,073,833	-9.96%
Restricted	16,294,771	13,149,713	23.92%	-0-	-0-	N/A
Unrestricted	11,277,083	9,428,073	19.61%	369,255	171,888	114.82%
Total net position	\$ 71,428,412	67,147,402	6.38%	\$ 1,336,088	1,245,721	7.25%

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$1,299,999 primarily due to depreciation.
- The issuance of Qualified School Construction Bonds (long-term debt) in the amount of \$4,435,000.
- The principal retirement of \$5,087,347 of long-term debt.
- The amortization of \$83,838 of deferred refunding charges (deferred outflows of resources).
- The District received \$3,453,099 in insurance loss recoveries primarily related to tornado damage.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$74,015,773 and \$75,200,013, respectively. The total cost of all programs and services was \$72,842,750 for 2014 and \$70,473,634 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,037,592	\$ 2,153,720	-5.39%
Operating grants and contributions	8,841,946	9,184,547	-3.73%
Capital Grants and Contributions	289,674	255,264	13.48%
General revenues:			
Property taxes	31,279,103	31,131,323	0.47%
Grants and contributions not restricted	31,190,676	31,874,830	-2.15%
Investment earnings	129,174	133,798	-3.46%
Other	247,608	466,531	-46.93%
Total revenues	<u>74,015,773</u>	<u>75,200,013</u>	-1.57%
Expenses:			
Instruction	38,816,011	39,491,918	-1.71%
Support services	29,205,345	25,982,264	12.40%
Non-instructional	3,715,044	3,562,177	4.29%
Interest on long-term liabilities	481,158	750,027	-35.85%
Learning foundation	625,192	687,248	-9.03%
Total expenses	<u>72,842,750</u>	<u>70,473,634</u>	3.36%
Extraordinary items	<u>3,429,496</u>	<u>-0-</u>	N/A
Increase in net position	<u>4,602,519</u>	<u>4,726,379</u>	-2.62%
Net Position, July 1, as previously reported	<u>68,393,123</u>	<u>63,700,244</u>	7.37%
Prior Period Adjustments	<u>(231,142)</u>	<u>(33,500)</u>	589.98%
Net Position, July 1, as restated	<u>68,161,981</u>	<u>63,666,744</u>	7.06%
Net Position, June 30	<u>\$ 72,764,500</u>	<u>\$ 68,393,123</u>	6.39%

Figure 1
Sources of Revenues for Fiscal Year 2014

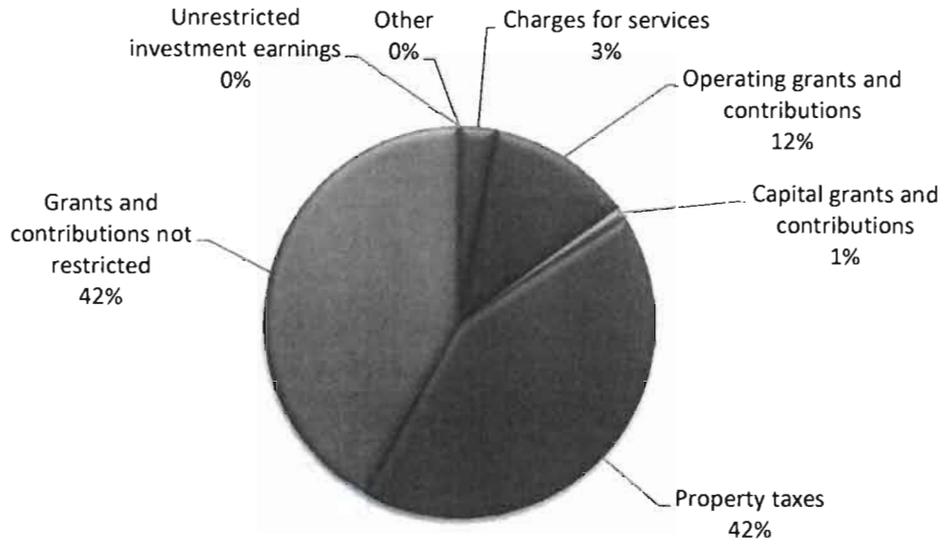
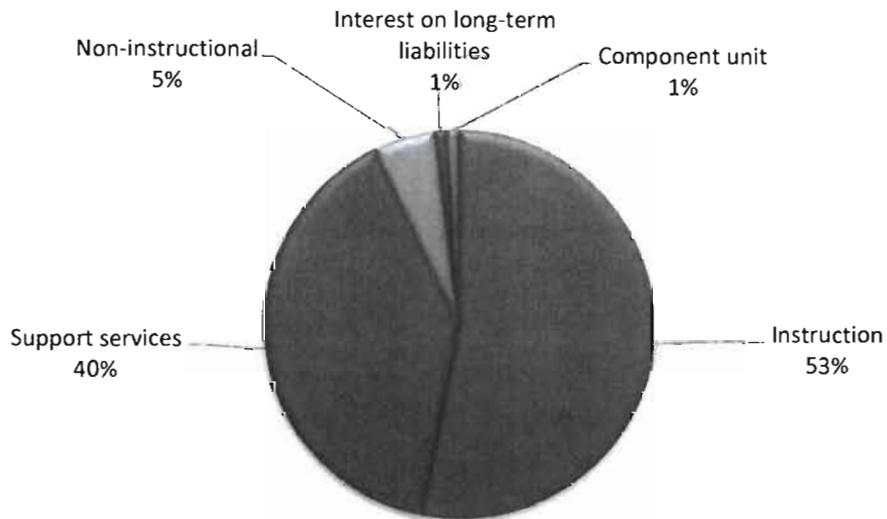


Figure 2
Expenses for Fiscal Year 2014



Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>	<u>Net (Expense) Revenue</u>		<u>Percentage</u> <u>Change</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Instruction	\$ 38,816,011	\$ 39,491,918	-1.71%	\$ (33,682,198)	\$ (34,078,647)	-1.16%
Support services	29,205,345	25,982,264	12.40%	(27,382,454)	(24,253,801)	12.90%
Non-instructional	3,715,044	3,562,177	4.29%	(134,125)	178,029	-175.34%
Interest on long-term liabilities	481,158	750,027	-35.85%	(481,158)	(750,027)	-35.85%
	<u>\$ 72,217,558</u>	<u>\$ 69,786,386</u>	<u>3.48%</u>	<u>\$ (61,679,935)</u>	<u>\$ (58,904,446)</u>	<u>4.71%</u>

- Net cost of governmental activities (\$61,679,935 for 2014 and \$58,904,446 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$31,279,103 for 2014 and \$31,131,323 for 2013) and state and federal revenues (\$31,190,676 for 2014 and \$31,874,830 for 2013).
- Investment earnings amounted to \$128,180 for 2014 and 133,389 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$28,212,948, an increase of \$5,020,142, which includes an increase in inventory of \$24,481 and prior period adjustments of (\$14,490). \$11,336,697 or 41% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$16,876,251 or 59% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,902,194 which includes prior period adjustments of (\$14,490) and a decrease in reserve for inventory of \$6,653. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,310,635. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service	\$ (221,167)
District Construction	\$ 1,966,086
BI 1999 Retirement	\$ 62,394

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets, including primary government and component unit, were \$107,112,559, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a net increase of \$1,164,855, or 1%, from the previous year. Total accumulated depreciation as of June 30, 2014 was \$41,162,518 and total depreciation expense for the year was \$2,860,183, resulting in total net capital assets of \$65,950,041.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 4,122,182	\$ 4,122,182	0.00%
Construction in progress	541,641	647,909	-16.40%
Buildings	43,502,132	44,820,830	-2.94%
Building Improvements	14,067,935	14,095,064	-0.19%
Improvements other than buildings	909,809	923,707	-1.50%
Mobile equipment	2,158,332	2,120,040	1.81%
Furniture and equipment	648,010	520,308	24.54%
	<u>\$ 65,950,041</u>	<u>\$ 67,250,040</u>	-1.93%

Additional information on the District's capital assets can be found in Note 6 included in this report.

Debt Administration. At June 30, 2014, the District had \$21,953,314 in outstanding long-term debt, of which \$4,220,415 is due within one year. The liability for compensated absences increased \$20,391 from the prior year.

The District maintains an A-1 bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 6,295,000	\$ 9,384,000	-32.92%
Unamortized premiums	190,060	333,465	-43.00%
Limited obligation bonds payable	2,262,000	2,996,000	-24.50%
Three mill notes payable	1,900,000	1,985,000	-4.28%
Shortfall note payable	-0-	88,568	-100.00%
Obligations under capital leases	-0-	823,322	-100.00%
Obligations under energy efficiency lease	320,651	444,703	-27.90%
Qualified school construction bonds payable	10,435,000	6,000,000	73.92%
Compensated absences payable	550,603	530,212	3.85%
	<u>\$ 21,953,314</u>	<u>\$ 22,585,270</u>	-2.80%

Additional information on the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

The Tupelo Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. In addition, the District system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement local, state and federal revenues.

Enrollment for the 2013-2014 year decreased by 5.92% to 6,245 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi 38802.

FINANCIAL STATEMENTS

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit A	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Learning Foundation	<u>Total</u> Reporting Entity
Assets			
Cash and cash equivalents	\$ 18,788,715	376,423	19,165,138
Cash with fiscal agents		37,367	37,367
Due from other governments	1,919,018		1,919,018
Accrued interest receivable	1,170		1,170
Other receivables, net	2,410,332	9,855	2,420,187
Due from primary government		4,608	4,608
Inventories	171,785		171,785
Prepaid items	328,160		328,160
Restricted assets	5,968,204		5,968,204
Capital assets, non-depreciable:			
Land	3,922,182	200,000	4,122,182
Construction in progress	541,641		541,641
Capital assets, net of accumulated depreciation:			
Buildings	42,735,299	766,833	43,502,132
Building improvements	14,067,935		14,067,935
Improvements other than buildings	909,809		909,809
Mobile equipment	2,158,332		2,158,332
Furniture and equipment	648,010		648,010
Total Assets	<u>94,570,592</u>	<u>1,395,086</u>	<u>95,965,678</u>
Deferred Outflows of Resources			
Current:			
Deferred amount on refunding	83,837		83,837
Noncurrent:			
Deferred amount on refunding	192,224		192,224
Total deferred outflows of resources	<u>276,061</u>	<u>-0-</u>	<u>276,061</u>
Liabilities			
Accounts payable and accrued liabilities	1,344,594	55,462	1,400,056
Due to component unit	4,608		4,608
Unearned revenue	25,234	3,536	28,770
Interest payable on long-term liabilities	90,491		90,491
Long-term liabilities, due within one year:			
Capital related liabilities	4,220,415		4,220,415
Long-term liabilities, due beyond one year:			
Capital related liabilities	17,182,296		17,182,296
Non-capital related liabilities	550,603		550,603
Total Liabilities	<u>23,418,241</u>	<u>58,998</u>	<u>23,477,239</u>
Net Position			
Net investment in capital assets	43,856,558	966,833	44,823,391
Restricted for:			
Expendable:			
School-based activities	585,555		585,555
Debt service	5,947,840		5,947,840
Capital improvements	9,611,228		9,611,228
Unemployment benefits	150,148		150,148
Unrestricted	11,277,083	369,255	11,646,338
Total Net Position	<u>\$ 71,428,412</u>	<u>1,336,088</u>	<u>72,764,500</u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit B Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Governmental Activities:						
Instruction	\$ 38,816,011	4,628,635	20,166	(33,682,198)		(33,682,198)
Support services	29,205,345	1,452,395	228,206	(27,382,454)		(27,382,454)
Non-instructional	3,715,044	2,760,916	41,302	(134,125)		(134,125)
Interest on long-term liabilities	481,158			(481,158)		(481,158)
Total Governmental Activities	\$ 72,217,558	8,841,946	289,674	(61,679,935)	-0-	(61,679,935)
Total Component Unit	\$ 625,192				6,397	6,397
General Revenues:						
Taxes:						
General purpose levies				\$ 26,565,987		26,565,987
Debt purpose levies				4,713,116		4,713,116
Unrestricted grants and contributions:						
State				30,663,815		30,663,815
Federal				526,861		526,861
Unrestricted investment earnings				128,180	994	129,174
Other				237,930	82,976	320,906
Total General Revenues				62,835,889	83,970	62,919,859
Extraordinary Items:						
Insurance loss recoveries - tornado damage				3,356,198		3,356,198
Total General Revenues and Extraordinary Items				66,192,087	83,970	66,276,057
Change in Net Position				4,512,152	90,367	4,602,519
Net Position - Beginning, as previously reported				67,147,402	1,245,721	68,393,123
Prior Period Adjustments				(231,142)		(231,142)
Net Position - Beginning, as restated				66,916,260	1,245,721	68,161,981
Net Position - Ending				\$ 71,428,412	1,336,088	72,764,500

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014**

Exhibit C	Major Funds					Total Governmental Funds
	General Fund	School Food Service	Construction Reserve	BI 1999 Retirement	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 9,803,147	575,891	4,777,814	3,219,926	5,257,953	23,634,731
Cash with fiscal agents					1,122,188	1,122,188
Due from other governments	1,108,313	25,388		62,784	722,533	1,919,018
Accrued interest receivable					1,170	1,170
Other receivables	3,691		2,406,198		443	2,410,332
Due from other funds	929,049	18,822			250	948,121
Inventories	30,656	141,129				171,785
Prepaid items	319,470				8,690	328,160
Total Assets	\$ 12,194,326	761,230	7,184,012	3,282,710	7,113,227	30,535,505
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 362,033	896	670,148		311,517	1,344,594
Due to other funds	4,608	294,259			653,862	952,729
Unearned revenue					25,234	25,234
Total Liabilities	366,641	295,155	670,148	-0-	990,613	2,322,557
Fund Balances:						
Nonspendable:						
Inventory	30,656	141,129				171,785
Prepaid items	319,470				8,690	328,160
Restricted:						
Debt service				3,282,710	2,755,621	6,038,331
Capital projects			6,513,864		3,097,364	9,611,228
Unemployment benefits					150,148	150,148
Other purposes		324,946			110,791	435,737
Assigned:						
Other purposes	140,862					140,862
Unassigned						
Total Fund Balances	11,827,685	466,075	6,513,864	3,282,710	6,122,614	28,212,948
Total Liabilities and Fund Balances	\$ 12,194,326	761,230	7,184,012	3,282,710	7,113,227	30,535,505

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit C-1

Total fund balances for governmental funds \$ 28,212,948

Amounts reported for governmental activities in the statement of Net Position are

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	3,922,182	
Construction in progress	541,641	
Buildings	65,427,607	
Building improvements	20,623,992	
Improvements other than buildings	1,998,513	
Mobile equipment	5,820,183	
Furniture and equipment	5,339,598	
Accumulated depreciation	<u>(38,690,508)</u>	64,983,208

2. In a transaction involving refunding of a bond issue, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest expense over the life of the new debt.

Deferred amount on refunding 276,061

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	6,295,000	
Limited obligation bonds	2,262,000	
Three mill notes payable	1,900,000	
Obligations under energy efficiency lease	320,651	
Qualified school construction bonds	10,435,000	
Compensated absences	550,603	
Unamortized premiums	190,060	
Accrued interest payable	<u>90,491</u>	<u>(22,043,805)</u>

Net position of governmental activities \$ 71,428,412

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit D	General Fund	Major Funds			Other Governmental Funds	Total Governmental Funds
		School Food Service	Construction Reserve	BI 1999 Retirement		
Revenues:						
Local sources	\$ 27,208,271	802,416		3,115,389	2,204,393	33,330,469
State sources	30,713,840	35,214			1,570,980	32,320,034
Federal sources	526,861	2,922,126			4,242,770	7,691,757
Total Revenues	<u>58,448,972</u>	<u>3,759,756</u>	<u>-0-</u>	<u>3,115,389</u>	<u>8,018,143</u>	<u>73,342,260</u>
Expenditures:						
Instruction	32,425,430	129	52,673		5,813,724	38,291,956
Support services	22,271,181	347,334	1,335,317		3,784,508	27,738,340
Noninstructional services	204,940	3,372,589	2,122		195,042	3,774,693
Facilities acquisition and construction					823,147	823,147
Debt service:						
Principal				2,710,000	2,233,942	4,943,942
Interest				341,750	170,336	512,086
Other				1,245	61,501	62,746
Total Expenditures	<u>54,901,551</u>	<u>3,720,052</u>	<u>1,390,112</u>	<u>3,052,995</u>	<u>13,082,200</u>	<u>76,146,910</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,547,421</u>	<u>39,704</u>	<u>(1,390,112)</u>	<u>62,394</u>	<u>(5,064,057)</u>	<u>(2,804,650)</u>
Other Financing Sources (Uses):						
Insurance loss recoveries	23,603					23,603
Bonds and notes issued					4,435,000	4,435,000
Operating transfers in	1,179,991	6,888			3,201,505	4,388,384
Operating transfers out	(2,827,678)	(298,893)			(1,261,813)	(4,388,384)
Total Other Financing Sources (Uses)	<u>(1,624,084)</u>	<u>(292,005)</u>	<u>-0-</u>	<u>-0-</u>	<u>6,374,692</u>	<u>4,458,603</u>
Extraordinary items			3,356,198			3,356,198
Net Change in Fund Balances	<u>1,923,337</u>	<u>(252,301)</u>	<u>(1,390,112)</u>	<u>62,394</u>	<u>1,310,635</u>	<u>1,653,953</u>
Fund Balances:						
July 1, 2013, as previously reported	9,925,491	687,242	4,547,778	3,220,316	4,811,979	23,192,806
Prior period adjustments	(14,490)					(14,490)
July 1, 2013, as restated	<u>9,911,001</u>	<u>687,242</u>	<u>4,547,778</u>	<u>3,220,316</u>	<u>4,811,979</u>	<u>23,178,316</u>
Increase (decrease) in reserve for inventory	<u>(6,653)</u>	<u>31,134</u>				<u>24,481</u>
June 30, 2014	<u>\$ 11,827,685</u>	<u>466,075</u>	<u>3,157,666</u>	<u>3,282,710</u>	<u>6,122,614</u>	<u>24,856,750</u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 5,010,151**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,687,508	
Depreciation expense	<u>(2,753,183)</u>	(1,065,675)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(32,034)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Qualified school construction bonds issued	(4,435,000)	
Payments of debt principal	4,943,942	
Accrued interest payable	<u>27,111</u>	536,053

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(20,391)	
Change in inventory reserve	24,481	
Amortization of deferred charges	(83,838)	
Amortization of premiums	<u>143,405</u>	<u>63,657</u>

Change in net position of governmental activities **\$ 4,512,152**

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
FIDUCIARY FUNDS STATEMENT OF
FIDUCIARY NET POSITION
FOR YEAR ENDED JUNE 30, 2014**

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 164,309	\$ 2,079,033
Total Assets	<u>164,309</u>	<u>2,079,033</u>
Liabilities		
Accounts payable and accrued liabilities		2,033,256
Due to student clubs		<u>45,777</u>
Total Liabilities	<u>-0-</u>	<u>\$ 2,079,033</u>
Net Position		
Reserved for endowments	125,000	
Held in trust	<u>39,309</u>	
Total Net Position	<u>\$ 164,309</u>	

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest and dividends	\$ <u>784</u>
Total Additions	<u>784</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	(216)
Net Position July 1, 2013	<u>164,525</u>
Net Position June 30, 2014	<u>\$ <u>164,309</u></u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

Basis of Presentation

In June 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In March 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of (\$121,362) to remove previously deferred bond issue costs.

Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Tupelo since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Tupelo Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Unit

The Tupelo School District Learning Foundation (Foundation) is incorporated in Mississippi as a non-profit organization exclusively for the educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive and maintain a contribution of an apartment complex and related assets and receives primarily all of its income from rentals of the apartments. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

School Food Service Fund – This special revenue fund is used to account for revenues and expenditures associated with operating school cafeterias. Revenues include federal grants and charges for meals.

District Construction Reserve - This capital projects fund accounts for the monies set aside in anticipation of the expansion of additional classroom at several sites in an effort to reduce classroom sizes in grades K through 3.

BI 1999 Retirement Fund – This debt service fund accounts for general revenue bonds issued during the fiscal year ended June 30, 1999.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Student Club Accounts - These funds are used to account for the transactions of student clubs.

L.D. Hancock Award Fund - This fund accounts for the monies set aside for annual awards to teachers.

Bouchillon and Mickey Linder Scholarship Funds - These funds account for monies set aside for scholarships for students.

Harden/CREATE for NBC Fund - This fund accounts for monies set aside teachers applying for National Board Certification.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in Governmental Accounting, Auditing, and Financial Reporting, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in Financial Accounting for Local and State School Systems, 2003, issued by the U.S. Department of Education.

Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows, and Net Position or Equity

1. Cash , Cash Equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds"(i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details those thresholds.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amounts will correspond with the amounts for the asset classifications as listed. See note 6 for details.

7. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District currently reports deferred charges related to the refunding of long-term debt as deferred outflows of resources. These charges are amortized to interest expense in accordance with Governmental Accounting Standards.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and component unit financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

10. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is by resolution of the Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance, pursuant to authority established by the Board, are created by the superintendent and business manager.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 2: Cash and Cash Equivalents and Cash with Fiscal Agents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component unit, and fiduciary funds was \$23,634,731, \$376,423, and \$2,243,342, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$26,254,496 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions in governmental funds and discretely presented component unit was \$1,122,188 and \$37,367, respectively.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 3: Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service	\$ 294,259
General Fund	Other governmental funds	634,790
School Food Service	Other governmental funds	18,822
Other governmental funds	Other governmental funds	250
Learning Foundation	General Fund	4,608
Total		<u>\$ 952,729</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	School Food Service	\$ 6,888
General Fund	Other governmental funds	2,820,790
School Food Service	General Funds	294,259
Other governmental funds	General Funds	885,732
School Food Service	Other governmental funds	4,634
Other governmental funds	Other governmental funds	376,081
Total		<u>\$ 4,388,384</u>

The principal purpose of inter-fund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

Note 4: Restricted Assets

Restricted assets represent the legally restricted cash balances of the following funds which may not be used for purposes that support the District's programs.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
2010 Shortfall Note Retirement Fund	Cash	\$ 306,549
STN 2011 Retirement Fund	Cash	504,054
STN 2005 Retirement Fund	Cash	241,468
BI 1999 Retirement Fund	Cash	3,219,926
QSCB Retirement Fund - 2010	Cash with Fiscal Agent	560,007
QSCB Retirement Fund - 2011	Cash	574,019
QSCB Retirement Fund - 2011	Cash with Fiscal Agent	432,181
QSCB Retirement Fund - 2013	Cash with Fiscal Agent	130,000
Total		<u>\$ 5,968,204</u>

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 5: Other Receivables-Component Unit

Other receivables for the component unit include amounts due from tenants under rental agreements. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Other receivables as of June 30, 2014 for the component unit including the applicable allowances are as follows

Other Receivables	
Due from tenants	\$ 220,597
Less: Allowance for uncollectible accounts	(210,742)
Due from governmental funds - General fund	<u>4,608</u>
Total	<u>\$ 14,463</u>

Note 6: Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2013	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2014
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 3,922,182					\$ 3,922,182
Construction-in-progress	<u>647,909</u>	<u>823,147</u>		<u>(834,125)</u>	<u>(95,290)</u>	<u>541,641</u>
Total non-depreciable capital assets	<u>4,570,091</u>	<u>823,147</u>	<u>-0-</u>	<u>(834,125)</u>	<u>(95,290)</u>	<u>4,463,823</u>
<u>Depreciable capital assets:</u>						
Buildings	65,427,607					65,427,607
Building improvements	19,826,161			797,831		20,623,992
Improvements other than buildings	1,962,219			36,294		1,998,513
Mobile equipment	5,700,179	428,452	308,448			5,820,183
Furniture and equipment	<u>5,022,604</u>	<u>435,909</u>	<u>118,915</u>			<u>5,339,598</u>
Total depreciable capital assets	<u>97,938,770</u>	<u>864,361</u>	<u>427,363</u>	<u>834,125</u>	<u>-0-</u>	<u>99,209,893</u>
<u>Less accumulated depreciation for:</u>						
Buildings	21,480,610	1,211,698				22,692,308
Building improvements	5,731,097	824,960				6,556,057
Improvements other than buildings	1,038,512	50,192				1,088,704
Mobile equipment	3,580,139	359,315	277,603			3,661,851
Furniture and equipment	<u>4,502,296</u>	<u>307,018</u>	<u>117,726</u>			<u>4,691,588</u>
Total accumulated depreciation	<u>36,332,654</u>	<u>2,753,183</u>	<u>395,329</u>	<u>-0-</u>	<u>-0-</u>	<u>38,690,508</u>
Total depreciable capital assets, net	<u>61,606,116</u>	<u>(1,888,822)</u>	<u>32,034</u>	<u>834,125</u>	<u>-0-</u>	<u>60,519,385</u>
Governmental activities capital assets, net	<u>\$ 66,176,207</u>	<u>(1,065,675)</u>	<u>32,034</u>	<u>-0-</u>	<u>(95,290)</u>	<u>\$ 64,983,208</u>

Adjustments were made to write off fees incurred on a classroom expansion project that was terminated prior to completion.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 6: Capital Assets (Continued)

The following is a summary of changes in the capital assets for the discretely presented component unit:

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 200,000			\$ 200,000
Total non-depreciable capital assets	<u>200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>
<u>Depreciable capital assets:</u>				
Buildings	3,210,000			3,210,000
Furniture and equipment	28,843			28,843
Total depreciable capital assets	<u>3,238,843</u>	<u>-0-</u>	<u>-0-</u>	<u>3,238,843</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,336,167	107,000		2,443,167
Furniture and equipment	28,843			28,843
Total accumulated depreciation	<u>2,365,010</u>	<u>107,000</u>	<u>-0-</u>	<u>2,472,010</u>
Total depreciable capital assets, net	<u>873,833</u>	<u>(107,000)</u>	<u>-0-</u>	<u>766,833</u>
Discretely presented component unit capital assets, net	<u>\$ 1,073,833</u>	<u>(107,000)</u>	<u>-0-</u>	<u>\$ 966,833</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental activities:</u>	
Instruction	\$ 543,852
Support services	2,202,677
Non-instructional	<u>6,654</u>
Total governmental activities depreciation expense	<u>\$ 2,753,183</u>
<u>Component unit:</u>	
Learning foundation	<u>\$ 107,000</u>
Total component unit depreciation expense	<u>\$ 107,000</u>

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 6: Capital Assets (Continued)

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2014, are summarized as follows:

	Spent to <u>June 30, 2014</u>	Remaining <u>Commitment</u>
THS turf and track	\$ 451,337	\$ 947,271
Soccer and track fieldhouse	<u>90,304</u>	<u>219,696</u>
	<u>\$ 541,641</u>	<u>\$ 1,166,967</u>

Construction projects included in governmental activities are funded with Qualified School Construction Bond proceeds and local funds.

Note 7: Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Amounts due within one year</u>
A General obligation refunding bonds payable	\$ 9,384,000		3,089,000	6,295,000	3,112,000
Unamortized premiums	333,465		143,405	190,060	143,405
B Limited obligation refunding bonds payable	2,996,000		734,000	2,262,000	746,000
C Three mill notes payable	1,985,000		85,000	1,900,000	90,000
D Obligations under energy efficiency lease	444,703		124,052	320,651	129,010
E Qualified school construction bonds payable	6,000,000	4,435,000		10,435,000	
F Compensated absences	530,212	20,391		550,603	
Shortfall note payable	88,568		88,568	-	
Obligations under capital lease	823,322		823,322	-	
Total	<u>\$ 22,585,270</u>	<u>4,455,391</u>	<u>5,087,347</u>	<u>21,953,314</u>	<u>4,220,415</u>

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

A. General obligation refunding bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, Series 2005	3.0-5.0%	5/1/2005	11/1/2015	\$ 18,750,000	\$ 5,480,000
General obligation refunding bonds, Series 2012	1.29%	7/12/2012	9/15/2016	<u>1,656,000</u>	<u>815,000</u>
Total				<u>\$ 20,406,000</u>	<u>\$ 6,295,000</u>

Details of the district's June 30, 2014 general obligation bonded indebtedness are as follows:

1. Bond issue of 5/1/2005

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,730,000	205,750	2,935,750
2016	<u>2,750,000</u>	<u>68,750</u>	<u>2,818,750</u>
Total	<u>\$ 5,480,000</u>	<u>274,500</u>	<u>5,754,500</u>

This debt will be retired from the BI 1999 Retirement Fund

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

2. Bond issue of 7/12/2012

Year Ending June 30,	Principal	Interest	Total
2015	\$ 382,000	8,050	390,050
2016	385,000	3,102	388,102
2017	48,000	310	48,310
Total	\$ 815,000	11,462	826,462

This debt will be retired from the L/P1999 Retirement Fund.

Total general obligation refunding bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 3,112,000	213,800	3,325,800
2016	3,135,000	71,852	3,206,852
2017	48,000	310	48,310
Total	\$ 6,295,000	285,962	6,580,962

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 0.8% of property assessments as of October 1, 2013.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

B. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited obligation refunding bonds, Series 2012	1.2-1.8%	7/12/2012	6/1/2017	\$ 1,864,000	\$ 1,131,000
Limited obligation refunding bonds, Series 2012	1.2-1.8%	7/12/2012	6/1/2017	<u>1,864,000</u>	<u>1,131,000</u>
Total				<u>\$ 3,728,000</u>	<u>\$ 2,262,000</u>

The following is a schedule by years of the total payments due on this debt:

1. Limited obligation refunding bonds issue of 7/12/2012

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 373,000	18,114	391,114
2016	376,000	12,892	388,892
2017	<u>382,000</u>	<u>6,876</u>	<u>388,876</u>
Total	<u>\$ 1,131,000</u>	<u>37,882</u>	<u>1,168,882</u>

This debt will be retired from the STN 2005 Retirement fund.

2. Limited obligation refunding bonds issue of 7/12/2012

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 373,000	18,114	391,114
2016	376,000	12,892	388,892
2017	<u>382,000</u>	<u>6,876</u>	<u>388,876</u>
Total	<u>\$ 1,131,000</u>	<u>37,882</u>	<u>1,168,882</u>

This debt will be retired from the STN 2005 Retirement fund.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

Total limited obligation refunding bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 746,000	36,228	782,228
2016	752,000	25,784	777,784
2017	764,000	13,752	777,752
Total	\$ 2,262,000	75,764	2,337,764

C. Three mill note payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2011	3.04%	5/19/2011	9/1/2020	\$ 2,275,000	\$ 1,900,000
Total				\$ 2,275,000	\$ 1,900,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 90,000	56,392	146,392
2016	95,000	53,580	148,580
2017	100,000	50,616	150,616
2018	275,000	44,916	319,916
2019-2023	1,340,000	55,480	1,395,480
Total	\$ 1,900,000	260,984	2,160,984

This debt will be retired from the STN 2011 Retirement Fund.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Efficiency Lease	3.92%	1/23/2006	12/23/2016	\$ 1,116,762	\$ 320,651
Total				<u>\$ 1,116,762</u>	<u>\$ 320,651</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2015	\$ 129,010	10,283	139,293
2016	134,167	5,127	139,294
2017	57,474	565	58,039
Total	<u>\$ 320,651</u>	<u>15,975</u>	<u>336,626</u>

This debt will be retired from the Lease Purchase 2006 Performance Contract Fund.

An energy efficiency lease agreement dated January 23, 2006, was executed by and between the district, the lessee, and SunTrust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,116,762 for the purchase of energy efficiency equipment, machinery, supplies building modifications, and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

E. Qualified School Construction Bonds Payable.

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0.84%	1/14/2010	9/15/2024	\$ 3,000,000	\$ 3,000,000
Qualified school construction bonds payable	4.60%	12/20/2011	12/1/2025	3,000,000	3,000,000
Qualified school construction bonds payable	0.00%	7/9/2013	6/15/2028	<u>4,435,000</u>	<u>4,435,000</u>
Total				<u>\$ 10,435,000</u>	<u>\$ 10,435,000</u>

The Qualified School Construction Bond (QSCB) issued 1/14/2010, was issued at a nominal interest rate. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows the state and local governments to borrow without incurring interest costs. The QSCB issued 7/9/2013 was issued at a 0.00% interest rate under the aforementioned tax credit provision.

The QSCB issued 12/20/2011, was issued at an interest rate of 4.60% with anticipated refundable credit payments for the amount of interest cost from the Internal Revenue Service. It is possible the Internal Revenue Service may determine some reason not to reimburse some or all of the interest cost of the 12/20/2011 bond. The School District is responsible for the full amount of the interest payment in any event.

Qualified school construction bonds payable issued 1/14/2010:

The following is a schedule by years of the total payments due on this debt

Year Ending June 30,	Principal	Interest	Total
2015	\$ -0-	25,200	25,200
2016	-0-	25,200	25,200
2017	-0-	25,200	25,200
2018	-0-	25,200	25,200
2019	-0-	25,200	25,200
2020-2024	-0-	126,000	126,000
2025	<u>3,000,000 *</u>	<u>25,200</u>	<u>3,025,200</u>
Total	<u>\$ 3,000,000</u>	<u>277,200</u>	<u>3,277,200</u>

* Payable from sinking fund, see Note 14.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 7: Long-term Liabilities (Continued)

Qualified school construction bonds payable issued 12/20/2011:

The following is a schedule by years of the total payments due on this debt

Year Ending June 30,	Principal	Interest	Total
2015	\$ -0-	138,000	138,000
2016	-0-	138,000	138,000
2017	-0-	138,000	138,000
2018	-0-	138,000	138,000
2019	-0-	138,000	138,000
2020-2024	-0-	690,000	690,000
2025-2026	3,000,000 *	276,000	3,276,000
Total	\$ 3,000,000	1,656,000	4,656,000

* Payable from sinking fund, see Note 14.

Qualified school construction bonds payable issued 7/9/2013:

The following is a schedule by years of the total payments due on this debt

Year Ending June 30,	Principal	Interest	Total
2015	\$ -0-	-0-	-0-
2016	-0-	-0-	-0-
2017	-0-	-0-	-0-
2018	-0-	-0-	-0-
2019	-0-	-0-	-0-
2020-2024	-0-	-0-	-0-
2025-2028	4,435,000 *	-0-	4,435,000
Total	\$ 4,435,000	-0-	4,435,000

* Payable from sinking fund, see Note 14.

F. Compensated absences payable.

As more fully explained in Note 1(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307 (5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 8: Prior Year Defeasance of Debt

In prior years, the Tupelo Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$8,035,000 of bonds outstanding are defeased.

Note 9: Other Commitments

Commitments under construction contracts are described in Note 6.

Operating Leases:

The School District has several operating leases for the following:

1. Copiers

Lease expenditures for the year ended June 30, 2014, amount to \$324,451. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Principal
2015	\$ 180,257
2016	180,257
2017	180,257
Total	\$ <u>540,771</u>

Note 10: Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014, is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013, and 2012 were \$6,000,405, \$5,554,846, and \$4,768,026, , respectively, which equaled the required contributions for each year.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 11: Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct check written to State Treasurer	\$ (7,500)
To correct Gearup receivable	(245)
To correct Special Education expenditures	(6,745)
To expense bond issuance costs due to implementation of new GASB Statement No. 65 guidance	(121,362)
Engineering fees related to a classroom expansion project were expensed in entirety when the project was terminated	<u>(95,290)</u>
Total	<u>\$ (231,142)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

<u>Explanation</u>	<u>Amount</u>
To correct check written to State Treasurer	\$ (7,500)
To correct Gearup receivable	(245)
To correct Special Education expenditures	<u>(6,745)</u>
Total	<u>\$ (14,490)</u>

Note 12: Contingencies

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation. – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13: Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 13: Risk Management (Continued)

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14: Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$1,122,188. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 14: Qualified School Construction Bonds (Continued)

Year Ending June 30	Amount
2015	\$ 489,000
2016	489,000
2017	489,000
2018	989,000
2019	854,000
2020 – 2024	4,126,000
2025 – 2028	1,881,000
Total	<u>\$ 9,317,000</u>

Note 15: Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 14, 1990 creating the Lee/Tupelo Vocational Technical Education Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Lee County School District and the Tupelo Public School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Tupelo Public School District has been designated as the fiscal agent for the Lee/Tupelo Vocational Technical Education Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Lee/Tupelo Vocational Technical Education Center.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 15: Vocational School Consortium (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2014

Revenues

Local sources:

Tuition from other LEA's within the state:

Lee County School District \$ 33,289

Total tuition from other LEA's within the state 33,289

Ad Valorem 212,871

Total local sources 246,160

State sources 1,046,078

Federal sources 68,556

Total Revenues 1,360,794

Expenditures

Salaries 1,276,150

Employee benefits 418,769

Purchased professional and technical services 5,504

Purchased property services 1,529

Other purchased services 20,231

Supplies 87,843

Property 21,753

Other 13,365

Total Expenditures 1,845,144

Excess (Deficiency) of Revenues Over (Under) Expenditures (484,350)

Other Financing Sources/Uses:

Other transfers in 484,350

Total Other Financing Sources/Uses 484,350

Net Change in Fund Balance -0-

Fund Balance:

July 1, 2013 -0-

June 30, 2014 \$ -0-

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Note 16: Insurance Loss Recoveries

The Tupelo School District received \$3,453,099 in insurance loss recoveries during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries are reported as follows:

<u>Description</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
General Revenues:			
Other	\$ 23,603	73,298	96,901
Extraordinary items:			
Insurance loss recoveries - tornado damage	<u>3,356,198</u>	<u>-0-</u>	<u>3,356,198</u>
	<u>\$ 3,379,801</u>	<u>73,298</u>	<u>3,453,099</u>

Note 17: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tupelo Public School District evaluated the activity of the district through January 31, 2015, (the date the financial statements were available to be issued), and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements:

REQUIRED SUPPLEMENTARY INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Acual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 26,199,871	27,208,271	27,208,271	1,008,400	-0-
State sources	31,012,753	30,713,840	30,713,840	(298,913)	-0-
Federal sources	859,220	526,861	526,861	(332,359)	-0-
Total Revenues	<u>58,071,844</u>	<u>58,448,972</u>	<u>58,448,972</u>	<u>377,128</u>	<u>-0-</u>
Expenditures:					
Instruction	35,243,623	32,425,430	32,425,430	2,818,193	-0-
Support services	23,254,847	22,271,181	22,271,181	983,666	-0-
Noninstructional services	111,939	204,940	204,940	(93,001)	-0-
Total Expenditures	<u>58,610,409</u>	<u>54,901,551</u>	<u>54,901,551</u>	<u>3,708,858</u>	<u>-0-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(538,565)</u>	<u>3,547,421</u>	<u>3,547,421</u>	<u>4,085,986</u>	<u>-0-</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	10,000	23,603	23,603	13,603	-0-
Operating transfers in	6,412,364	1,179,991	1,179,991	(5,232,373)	-0-
Operating transfers out	<u>(9,300,980)</u>	<u>(2,827,678)</u>	<u>(2,827,678)</u>	<u>6,473,302</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(2,878,616)</u>	<u>(1,624,084)</u>	<u>(1,624,084)</u>	<u>1,254,532</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(3,417,181)</u>	<u>1,923,337</u>	<u>1,923,337</u>	<u>5,340,518</u>	<u>-0-</u>
Fund Balance					
July 1, 2013, as previously reported	9,925,491	9,925,491	9,925,491	-0-	-0-
Prior period adjustments		<u>(14,490)</u>	<u>(14,490)</u>	<u>(14,490)</u>	<u>-0-</u>
July 1, 2013, as restated	9,925,491	9,911,001	9,911,001	(14,490)	-0-
Decrease in reserve for inventory	<u>-0-</u>	<u>(6,653)</u>	<u>(6,653)</u>	<u>(6,653)</u>	<u>-0-</u>
June 30, 2014	<u>\$ 6,508,310</u>	<u>11,827,685</u>	<u>11,827,685</u>	<u>5,319,375</u>	<u>-0-</u>

The notes to the required supplementary information are an integral part of this schedule.

**TUPELO PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SCHOOL FOOD SERVICE FUND
FOR YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Acual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 959,350	802,416	802,416	(156,934)	-0-
State sources	77,120	35,214	35,214	(41,906)	-0-
Federal sources	3,137,000	2,922,126	2,922,126	(214,874)	-0-
Total Revenues	<u>4,173,470</u>	<u>3,759,756</u>	<u>3,759,756</u>	<u>(413,714)</u>	<u>-0-</u>
Expenditures:					
Instruction	325	129	129	196	-0-
Support services	378,327	347,334	347,334	30,993	-0-
Noninstructional services	3,759,298	3,372,589	3,372,589	386,709	-0-
Total Expenditures	<u>4,137,950</u>	<u>3,720,052</u>	<u>3,720,052</u>	<u>417,898</u>	<u>-0-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35,520</u>	<u>39,704</u>	<u>39,704</u>	<u>4,184</u>	<u>-0-</u>
Other Financing Sources (Uses):					
Operating transfers in	15,000	6,888	6,888	(8,112)	-0-
Operating transfers out	(60,000)	(298,893)	(298,893)	(238,893)	-0-
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(292,005)</u>	<u>(292,005)</u>	<u>(247,005)</u>	<u>-0-</u>
Net Change in Fund Balance	(9,480)	(252,301)	(252,301)	(242,821)	-0-
Fund Balance					
July 1, 2013	<u>687,242</u>	<u>687,242</u>	<u>687,242</u>	<u>-0-</u>	<u>-0-</u>
Increase in reserve for inventory	<u>-0-</u>	<u>31,134</u>	<u>31,134</u>	<u>31,134</u>	<u>-0-</u>
June 30, 2014	<u>\$ 677,762</u>	<u>466,075</u>	<u>466,075</u>	<u>(211,687)</u>	<u>-0-</u>

The notes to the required supplementary information are an integral part of this schedule.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR YEAR ENDED JUNE 30, 2014**

Budgetary Comparison Schedules

Note 1: Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

Note 2: Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 802,414
National school lunch program	10.555	2,291,291
Summer food service program for children	10.559	86,709
Total		<u>3,180,414</u>
Total U.S. Department of Agriculture		<u>3,180,414</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	<u>326,240</u>
Total Federal Communications Commission		<u>326,240</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Special Education Cluster:		
Special education - grants to states	84.027	1,893,026
Special education - preschool grants	84.173	<u>84,768</u>
Total		<u>1,977,794</u>
Title I - grants to local educational agencies	84.010	1,643,043
Vocational education - basic grants to state	84.048	68,556
Education for homeless children and youth	84.196	30,715
Twenty-first century community learning centers	84.287	100,935
English language acquisition grants	84.365	28,955
Improving teacher quality state grants	84.367	<u>306,062</u>
Total passed-through MDE		<u>4,156,060</u>
Total U.S. Department of Education		<u>4,156,060</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical Assistance program	93.778	<u>6,192</u>
Total passed-through MDE		<u>6,192</u>
Total U.S. Department of Health and Human Services		<u>6,192</u>
Total for All Federal Awards		<u>\$ 7,668,906</u>

(Continued)

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Notes to Schedule

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2014**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 51,826,405	40,536,643	2,069,217	3,306,626	5,913,919
Other	<u>24,320,505</u>	<u>5,980,456</u>	<u>459,372</u>	<u>45,406</u>	<u>17,835,271</u>
Total	<u>\$ 76,146,910</u>	<u>46,517,099</u>	<u>2,528,589</u>	<u>3,352,032</u>	<u>23,749,190</u>
Total number of students *	6,245				
Cost per student	<u>\$ 12,194</u>	<u>7,449</u>	<u>405</u>	<u>537</u>	<u>3,803</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

- Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

OTHER INFORMATION

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS**

	2014	2013*	2012*	"UNAUDITED" 2011*
Revenues:				
Local sources	\$ 27,208,271	26,981,703	26,841,173	26,906,593
State sources	30,713,840	31,325,325	30,838,531	28,863,312
Federal sources	526,861	545,863	612,902	1,598,091
Total Revenues	58,448,972	58,852,891	58,292,606	57,367,996
Expenditures:				
Instruction	32,425,430	33,571,413	34,414,678	33,801,043
Support services	22,271,181	20,839,140	20,092,677	20,273,096
Noninstructional services	204,940	105,351	79,705	29,383
Total Expenditures	54,901,551	54,515,904	54,587,060	54,103,522
Excess (Deficiency) of Revenues over Expenditures	3,547,421	4,336,987	3,705,546	3,264,474
Other Financing Sources (Uses):				
Bonds and notes issued				249,471
Capital leases issued				3,293,288
Insurance loss recoveries	23,603	24,663	74,053	14,074
Sale of transportation equipment		3,633	7,383	
Sale of other property			549	
Operating transfers in	1,179,991	783,455	2,076,428	161,340
Operating transfers out	(2,827,678)	(3,804,102)	(6,803,346)	(4,834,413)
Other financing uses		(712)	(1,404)	(6,044)
Total Other Financing Sources (Uses)	(1,624,084)	(2,993,063)	(4,646,337)	(1,122,284)
Net Change in Fund Balances	1,923,337	1,343,924	(940,791)	2,142,190
Fund Balance, July 1 as previously reported	9,925,491	8,614,217	9,571,936	7,403,923
Prior period adjustments	(14,490)	(33,500)		(6,699)
Fund Balance, July 1, as restated	9,911,001	8,580,717	9,571,936	7,397,224
Increase (Decrease) in reserve for inventory	(6,653)	850	(16,928)	32,522
Fund Balance, June 30	\$ 11,827,685	9,925,491	8,614,217	9,571,936

*SOURCE - PRIOR YEAR AUDIT REPORTS

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	2014	2013*	2012*	"UNAUDITED" 2011*
Revenues:				
Local sources	\$ 33,330,469	33,244,182	33,357,304	33,339,656
State sources	32,320,034	32,881,368	32,492,528	30,407,051
Federal sources	7,691,757	8,270,075	8,848,771	12,309,641
Total Revenues	73,342,260	74,395,625	74,698,603	76,056,348
Expenditures:				
Instruction	38,291,956	38,938,137	40,458,053	41,858,794
Support services	27,738,340	23,518,162	23,040,750	22,993,016
Noninstructional services	3,774,693	3,549,586	3,602,317	3,493,992
Facilities acquisition and construction	823,147	647,909	675,538	3,889,977
Debt service:				
Principal	4,943,942	5,291,385	5,524,889	5,031,440
Interest	512,086	799,573	1,009,861	1,134,085
Other	62,746	67,345	22,693	11,345
Total Expenditures	76,146,910	72,812,097	74,334,101	78,412,649
Excess (Deficiency) of Revenues over Expenditures	(2,804,650)	1,583,528	364,502	(2,356,301)
Other Financing Sources (Uses):				
Bonds and notes issued	4,435,000		3,000,000	2,533,568
Capital leases issued				3,293,288
Proceeds of refunding bonds		5,384,000		
Payment to refunded bond escrow agent		(5,319,073)		
Insurance loss recoveries	23,603	24,663	74,053	14,074
Sale of transportation equipment		3,633	7,383	
Sale of other property			549	
Operating transfers in	4,388,384	5,092,103	9,291,392	5,335,116
Operating transfers out	(4,388,384)	(5,092,103)	(9,291,392)	(5,335,116)
Other financing uses		(5,021)	(31,455)	(16,576)
Total Other Financing Sources (Uses)	4,458,603	88,202	3,050,530	5,824,354
Extraordinary items	3,356,198			
Net Change in Fund Balances	5,010,151	1,671,730	3,415,032	3,468,053
Fund Balance, July 1, as previously reported	23,192,806	21,562,828	18,156,342	14,666,845
Prior period adjustments	(14,490)	(33,500)		(6,699)
Fund Balance, July 1, as restated	23,178,316	21,529,328	18,156,342	14,660,146
Increase (Decrease) in reserve for inventory	24,481	(8,252)	(8,546)	28,143
Fund Balance, June 30	\$ 28,212,948	23,192,806	21,562,828	18,156,342

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Tupelo Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tupelo Public School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-1, 2014-2, 2014-3, and 2014-4, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

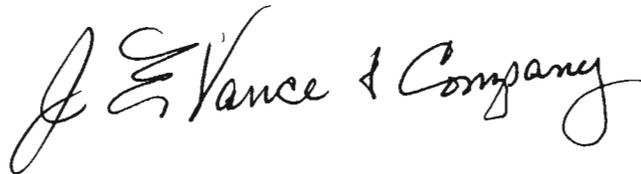
Tupelo Public School District's Response to Findings

Tupelo Public School District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Tupelo Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tupelo, MS
January 31, 2015

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Tupelo Public School District

Report on Compliance for Each Major Federal Program

We have audited Tupelo Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Adverse Opinion on the Twenty-First Century Community Learning Centers Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 84.287 Twenty-First Century Community Learning Centers as described in finding numbers 2014-5 for Cash Management and 2014-6 for Period of Availability of Federal Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Adverse Opinion on the Twenty-First Century Community Learning Centers Program

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Twenty First Century Community Learning Centers Program for the year ended June 30, 2014.

Basis for Qualified Opinion on the Special Education Cluster (IDEA) Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA #'s 84.027, 84.173 Special Education Cluster (IDEA) as described in finding numbers 2014-7 for financial reporting and 2014-8 for financial reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Special Education Cluster (IDEA) Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The District's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

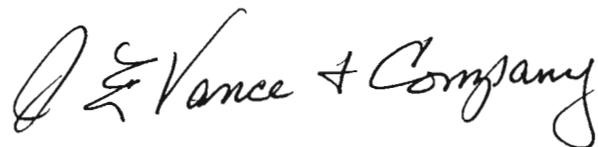
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-5, 2014-6, and 2014-7 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-8 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tupelo, MS
January 31, 2015



J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed instances of noncompliance described in Findings 2014-1, 2014-2, and 2014-3 in the Schedule of Findings and Questioned Costs

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tupelo, MS
January 31, 2015

J. E. Vance & Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2014**

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | |
|---|--------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | See #7 Below |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster	Type of Opinion Issued
32.XXX	The Schools & Libraries Program of the Universal Service Fund (E-Rate)	Unmodified
84.010	Title I, Part A	Unmodified
84.027, 84.173	Special Education Cluster	Qualified
84.287	21st Century Community Learning Centers	Adverse
84.367	Improving Teacher Quality	Unmodified

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section II: Financial Statement Findings

2014-1: The District did not advertise and obtain competitive bids for two (2) construction projects.

Material Weakness in Internal Control over Compliance

Finding

Section 31-7-13, Miss. Code Ann. (1972), states that any purchase which involves an expenditure of more than \$50,000 must be made from the lowest and best bidder after advertising for competitive bids once each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such District is located. Based upon inquires of District personnel, it was discovered that the District had undertaken two (2) separate construction projects during the school year for which costs had exceeded \$50,000 without taking the necessary steps to obtain competitive bids. Failure to obtain competitive bids for required purchases could result in the loss of public funds.

Recommendation

The District should implement procedures to ensure that competitive bids are received for all construction projects under which Section 31 of the Mississippi Code applies.

2014-2: The District made revisions to its financial statements after October 15, 2014.

Material Weakness in Internal Control over Compliance

Finding

Section 37-61-21 Miss. Code Ann. (1972), states that each school district shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require, and that *no additional changes may be made to the financial statements after October 15 of each year*. During the course of our audit, we discovered that the District had made several adjusting journal entries to its books after the required submission of its financial information to the State Department of Education on October 15, 2014. Failure to submit accurate timely financial reporting information to the State Department of Education could lead to a loss in public funds.

Recommendation

The District should implement procedures to ensure that all necessary revisions and or adjustments to its books are performed before the required timely submission of reports to the State Department of Education.

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section II: Financial Statement Findings (Continued)

2014-3: Budget revisions were not incorporated into the minutes of the school board.

Material Weakness in Internal Control over Compliance

Finding

Section 37-61-21 Miss. Code Ann. (1972), states that budget revisions shall be incorporated in the minutes of the school board by spreading them on the minutes or by attaching them as an addendum. During the course of our audit, it was discovered that budget amendments were not submitted to the School Board of Education to be reviewed at board meetings, and that budget revisions were approved without the necessary documentation to support changes made. Failure to submit budget amendments to the board for review before approval in the minutes could lead to the loss of public funds.

Recommendation

The District should submit hard copies of all budgetary amendments to the School Board of Education for review and approval, and incorporate such revisions into the minutes of school board meetings.

2014-4: Internal controls were not established to monitor transactions made by the agent for the Learning Foundation

Material Weakness in Internal Control

Finding

As reported in previous years, the District contracted with a third party agent to manage the operations of the Learning Foundation's (a component unit of the District) apartment complex. The District did not implement controls to monitor the transactions made by the agent for the Learning Foundation. Lack of monitoring controls for transactions conducted by the agent increases the risk of misappropriation of assets and /or misstatements that could have a material effect on the Learning Foundation's financial statements.

Recommendation

The District should continue to establish controls and procedures to monitor the Learning Foundation's transactions conducted by the agent.

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section III: Federal Award Findings and Questioned Costs

2014-5: Program: 21st Century Community Learning Centers, CFDA Number 84.287

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that federal funds are not drawn in excess of immediate needs as required by 34 CFR 80.20(b)(7) and 34 CFR 80.21(b). During the course of our audit, it was discovered that District personnel had drawn significant funds under the 21st Century Community Learning Centers Program (CLCP) that were in excess of immediate needs. In several cases, cash balances well in excess of our materiality threshold of \$5,000 were maintained for several months before being expended. This is a Cash Management finding under the requirements of CFDA 84.287. Failure to implement proper cash management procedures could result in the deprivation of public funds for other purposes.

Recommendation

The District should take steps to ensure that federal funds are not drawn in excess of immediate needs.

2014-6: Program: 21st Century Community Learning Centers, CFDA Number 84.287

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that Federal award funds are obligated under the allowable time period/s established by 34 CFR 76.709(a). During the course of our audit, it was discovered that carryover funds under the Fiscal Year 2011-2012 21st Century Community Learning Centers Program (CLCP) were not obligated during the allowable carryover period.

Furthermore, 34 CFR 76.709(b) requires that any carryover funds not obligated by the end of the carryover period shall be returned to the State to be remitted to the Federal agency. Inquiries of management led to the discovery that funds received and expended under the CLCP were not differentiated by grant year in the governmental funds financial statements, causing the District to not know how much carryover funds were to be returned to the State until the proper funds were established to account for each budgeted grant year. This is a Period of Availability finding under the requirements of CFDA 84.287. Failure to maintain control over the period of availability of Federal programs could result in the loss of public funds.

Recommendation

The District should take steps to ensure that Federal funds are obligated in the applicable period of availability, and to timely remit any such carryover funds remaining to the oversight agency.

**TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section III: Federal Award Findings and Questioned Costs (Continued)

2014-7: Program: Special Education Cluster (IDEA), CFDA Numbers 84.027, 84.173

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that budget revisions under Federal award programs are submitted to the applicable oversight agency for approval. During our audit, it was discovered that the original budget for the Special Education (IDEA) Program was not amended as required by 34 CFR 74.25. This is a Financial Reporting finding under the requirements of CFDA/s 84.027 / 84.173. Failure to submit amended Federal program budgets for approval could result in the loss of public funds.

Recommendation

The District should take steps to ensure that Federal program budgets are amended and submitted for approval as necessary.

2014-8: Program: Special Education Cluster (IDEA), CFDA Numbers 84.027, 84.173

Significant Deficiency in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that it submits all required financial reports to the State Department of Education in order to assist the State in complying with reporting requirements under 34 CFR 76.720 and in carrying out other responsibilities under each federal program, 34 CFR 76.722. During the course of our audit, it was discovered that the District had not submitted the required yearly report of expenditures under the Special Education Program by the due date prescribed by the State Department of Education (September 30, 2014). This is a Financial Reporting finding under the requirements of CFDA/s 84.027 / 84.173. Failure to submit financial reporting data to the State Department of Education in a timely manner could result in the loss of public funds.

Recommendation

The District should take steps to ensure that all required financial reports are timely submitted to the State Department of Education.

**CORRECTIVE ACTION PLAN
FOR YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

Finding: 2014-1

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has implemented procedures to ensure that competitive bids are received for all construction projects for which bidding is required by the Mississippi Code. All District personnel with purchasing and maintenance responsibilities have been given additional training, and the District will put in place a schedule of recurring training regarding such matters. The District is reviewing its policies and procedures regarding purchasing to insure that they are clearly written and easy to apply. The District's Finance Director, Operations Director and legal counsel will meet at least quarterly to review all construction projects. In addition, the District has engaged a consultant from the Mississippi Association of School Business Officers to advise on improving Finance Department procedures and practices. The District's longtime Finance Director retired in November, and her successor is a Certified Public Accountant with substantial experience in school district financial administration. She has been specifically tasked with improving the District's focus on compliance.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2014-2

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District is implementing procedures to ensure that necessary revisions and/or adjustments to its books are performed before the required timely submission of reports to the Mississippi Department of Education. Financial statements will be submitted to the Mississippi Department of Education on or before October 15 of each year, and no additional changes will be made to financial statements after such submission unless necessary correcting entries must be made for reasons beyond the District's reasonable control. The District has a new Finance Director who is a Certified Public Accountant with substantial experience in school district financial administration. She has been specifically tasked with overseeing preparation of required financial statements for timely submission.

Proposed Completion Date: The District will complete this corrective action plan during the closing of fiscal year 2014-2015.

**TUPELO PUBLIC SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings (Continued)

Finding: 2014-3

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District is implementing procedures to ensure that all budget revisions are submitted to the District’s Board of Trustees for their review and approval before October 15 of each year. Such revisions shall be submitted to the Board of Trustees with such documentation as is necessary to support the changes made, and copies of such revisions shall be incorporated into the minutes of the meeting at which they are approved by including them in the exhibit book to the minutes of that meeting. The District presents documents for review by the Board of Trustees primarily by electronic means, but hard copies of budgetary amendments will also be provided. Compliance with the requirement for proper documentation of Board of Trustees approval of budget revisions is part of the specific responsibility of the District’s new Finance Director to oversee preparation of financial statements so that they can be submitted in a timely manner.

Proposed Completion Date: The District will complete this corrective action plan during the closing of fiscal year 2014-2015.

Finding: 2014-4

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has established controls and procedures to monitor transactions of the agent which manages operations of the Learning Foundation and will review those controls on a continuous basis to monitor their effectiveness.

Proposed Completion Date: July 31, 2014

**TUPELO PUBLIC SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section III – Federal Award Findings and Questioned Costs

Finding: 2014-5

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has implemented procedures to ensure that federal funds will not be drawn except on a reimbursable basis. In addition, District personnel involved in federal programs will be trained concerning such procedures.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2014-6

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has implemented procedures to ensure that federal grants will be drawn down only on a reimbursable basis. In addition, the District has implemented controls to ensure that when a grant is approved it will be entered into the District's financial software so that the administrator of the grant program is aware of the balance available for expenditure and can ensure that such funds are obligated in a timely manner. These controls should eliminate future issues regarding carryover funds. The District has returned to the state approximately \$88,000 in carryover funds for the grant mentioned in this finding.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2014-7

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has implemented procedures to ensure that federal program budgets are amended and submitted for approval as required. In addition District personnel involved with federal programs will be trained concerning such procedures. Preparation of the budget amendment addressed in this finding is the responsibility of the District's Special Education Director, who was unable to timely complete the task because the District's books had not been closed by the Finance Department in a timely manner. Timely preparation and submission of financial reports is a priority task for the District's new Finance Director.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

**TUPELO PUBLIC SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (CONTINUED)
FOR YEAR ENDED JUNE 30, 2014**

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding: 2014-8

Name of contact person: Rachel S. Murphree, Director of Finance

Corrective Action: The District has implemented procedures to ensure that all required financial reports are timely submitted to the Mississippi Department of Education. Submission of the particular reports addressed in this finding is the responsibility of the District's Special Education Director, who was unable to prepare and timely submit the reports because the District's books had not been closed by the Finance Department until after the deadline for submitting the report had passed. Timely preparation and submission of financial reports is a priority task for the District's new Finance Director.

Proposed Completion Date: The District has completed implementation of this corrective action plan.